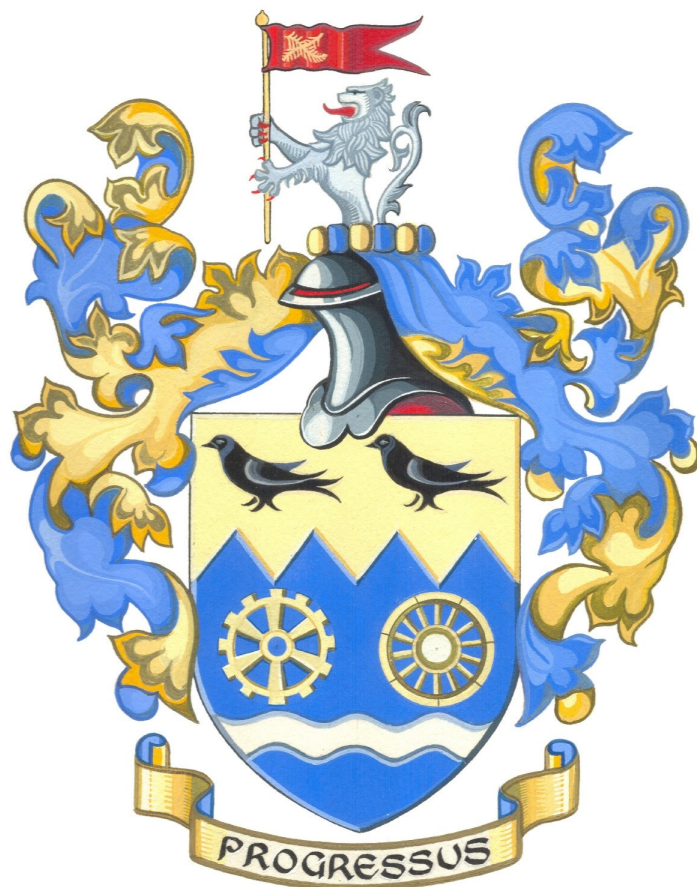


Emnambithi / Ladysmith Municipality



**Annual Financial Statements
2007 / 2008**

EMNAMBITHI / LADYSMITH MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these financial statements, which are set out on pages 3 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

NJ Mdakane
Municipal Manager

Date

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net Assets		183,718,013	172,543,237
Housing Development Fund	1	13,974,883	9,546,693
Capital Replacement Reserve		–	–
Capitalisation Reserve		25,924,187	29,851,582
Government Grant Reserve		52,358,392	60,290,446
Donations and Public Contribution Reserves		67,814	101,907
Accumulated Surplus/(Deficit)		91,392,738	72,752,609
Non-Current Liabilities		34,589,220	31,935,624
Long-Term Liabilities	2	18,207,594	19,617,509
Deferred Income	3	16,381,626	12,318,115
Current Liabilities		124,968,714	80,486,650
Consumer Deposits	4	6,124,046	5,963,331
Provisions	5	1,370,000	920,000
Creditors	6	45,915,489	32,627,734
Unspent Conditional Grants and Receipts	7	70,142,029	38,096,065
VAT	8	–	–
Current Portion of Long-Term Liabilities	2	1,417,150	2,879,520
Total Net Assets and Liabilities		343,275,948	284,965,511
ASSETS			
Non-Current Assets		182,232,741	175,561,943
Property, Plant and Equipment	9	182,232,741	175,561,943
Investments	10	–	–
Long-Term Receivables	11	–	–
Current Assets		161,043,207	109,403,569
Inventory	12	1,385,511	1,253,374
Consumer Debtors	13	53,288,980	50,099,521
Other Debtors	14	13,884,612	15,202,216
VAT	8	6,489,535	614,601
Current Portion of Long-Term Debtors	11	111,803	191,852
Call Investment Deposits	15	69,949,857	41,026,672
Bank Balances and Cash	16	15,932,910	1,015,334
Total Assets		343,275,948	284,965,511

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30th JUNE 2008

Budget				Actual	
2007 R	2008 R		Note	2008 R	2007 R
REVENUE					
78,264,980	86,841,000	Property Rates	17	86,899,160	80,157,188
6,675,282	6,688,399	Property Rates – Penalties imposed and Collection Charges		7,215,312	6,306,086
98,013,509	103,732,390	Service Charges	18	100,378,283	93,827,095
140,434	148,860	Interest Earned – External Investments		2,633,574	1,708,015
2,276,366	2,613,279	Interest Earned – Outstanding Debtors		2,997,543	2,123,201
2,134,846	3,815,920	Fines		3,313,145	3,095,037
3,371,802	3,081,122	Licences and Permits		4,058,943	3,822,440
38,460,747	46,060,911	Government Grants and Subsidies	19	83,293,890	73,445,111
11,183,461	6,112,326	Other Income		11,038,801	11,513,500
-	-	Public Contributions, Donated Property, Plant and Equipment		-	-
-	8,321,333	Gains on Disposal of Property, Plant and Equipment		-	-
240,521,427	267,415,540	Total Revenue		301,828,652	275,997,673
EXPENDITURE					
59,285,023	66,604,950	Employee Related Costs	20	73,455,153	64,693,210
8,188,968	10,652,576	Remuneration of Councillors	21	9,005,163	8,191,754
11,219,907	23,907,719	Bad Debts / Indigency		24,877,717	14,837,613
2,883,695	12,529,966	Depreciation		20,482,028	17,506,123
22,952,373	22,191,141	Repairs and Maintenance		5,858,168	8,252,271
2,586,219	2,287,725	Interest Paid	22	2,056,944	2,514,716
50,945,190	52,333,916	Bulk Purchases	23	51,565,958	50,540,919
27,291,154	29,131,799	Grants and Subsidies paid	24	29,049,854	28,821,055
-	-	Grant Expenses		37,788,564	32,983,749
55,144,082	47,775,118	General Expenses		43,148,566	41,085,795
-	-	Loss on Disposal of Property, Plant and Equipment		-	-
240,496,611	267,414,910	Total Expenditure		297,288,115	269,427,205
24,816	630	SURPLUS/(DEFICIT) FOR THE YEAR		4,540,537	6,570,468

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
2007							
Balance at 1 July 2006	7,199,726	-	34,155,283	69,288,611	135,907	51,945,826	162,725,353
Surplus/(deficit) for the year	-	-	-	-	-	6,570,468	6,570,468
Prior Year Adjustments	-	-	-	-	-	18,561	18,561
Correction – Transfer of Inventory Assets to PPE	-	-	-	-	-	1,801,888	-
Correction – Provision for Landfill Site	-	-	-	-	-	-920,000	-
Transfer to CRR	-	26,215,746	-	-	-	-26,215,746	-
Property, plant and equipment purchased	-	-26,215,746	-	-	-	26,215,746	-
Transfer to Housing Development Fund	2,346,967	-	-	-	-	-	2,346,967
Asset disposals to District Municipality	-	-	-	-407,262	-	407,262	-
Offsetting of depreciation	-	-	-4,303,701	-8,590,903	-34,000	12,928,604	-
Balance at 30 June 2007	9,546,693	-	29,851,582	60,290,446	101,907	72,752,609	171,661,349
2008							
Balance at 1 July 2007	9,546,693	-	29,851,582	60,290,446	101,907	72,752,609	172,543,237
Surplus /(deficit) for the year	-	-	-	-	-	4,540,537	4,540,537
Prior Year Adjustments	-	-	-	-	-	2,206,050	2,206,050
Transfer to CRR	-	22,024,340	-	-	-	-22,024,340	-
Property, plant and equipment purchased	-	-22,024,340	-	-	-	22,024,340	-
Transfer to Housing Development Fund	4,428,190	-	-	-	-	-	4,428,190
Asset disposals to District Municipality	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-3,927,395	-7,932,055	-34,093	11,893,543	-
Balance at 30 June 2008	13,974,883	-	25,924,187	52,358,392	67,814	91,392,738	183,718,013

EMNAMBITHI / LADYSMITH MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		334,868,192	281,989,131
Cash paid to suppliers and employees		-264,611,039	-240,389,641
Cash generated from/(utilised in) operations	25	<u>70,257,154</u>	<u>41,599,490</u>
Interest received		5,631,118	3,831,216
Interest paid		-2,056,944	-2,514,716
NET CASH FROM OPERATING ACTIVITIES		<u><u>73,831,328</u></u>	<u><u>42,915,990</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-27,359,046	-44,752,455
Proceeds on disposal of property, plant and equipment		-	-
(Increase)/decrease in investment properties		-	-
(Increase)/decrease in non-current receivables		80,049	39,531
(Increase)/decrease in non-current investments		-	-
(Increase)/decrease in call investment deposits		-28,923,185	-14,238,670
NET CASH FROM INVESTING ACTIVITIES		<u><u>-56,202,182</u></u>	<u><u>-58,951,594</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		-2,872,284	-3,501,527
Increase/(decrease) in consumer deposits		160,715	156,071
NET CASH FROM FINANCING ACTIVITIES		<u><u>-2,711,570</u></u>	<u><u>-3,345,456</u></u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u><u>14,917,576</u></u>	<u><u>-19,381,060</u></u>
Cash and cash equivalents at the beginning of the year		1,015,334	20,396,394
Cash and cash equivalents at the end of the year	26	15,932,910	1,015,334

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;

General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

5. RESERVES (Continued)

5.2 Capitalisation Reserve (Continued)

Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

5. RESERVES (Continued)

5.4 *Donations and Public Contributions Reserve (Continued)*

promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for 2007/2008 financial year due to the exemption granted in Gazette 30013.

No impairment losses have been recognised in the 2007/2008 financial year also due to the exemption granted in Gazette 30013. Included in property, plant and equipment are items that may meet the definition of investment property or inventory, but have been included as PPE because the municipality has not finalised the process of identifying investment property or inventory for reporting purposes. These items will be transferred once identified and in the meantime exemption has been granted in terms of Gazette no. 30013 of 29 June 2007.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:–

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	10 – 30	Buildings	30
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	20 – 30	Other Vehicles	3 – 20
Water	15 – 20	Office Equipment	5 – 7
Sanitation	15 – 20	Furniture and Fittings	10
Housing	30	Watercraft	15
		Bins and Containers	5 – 10
<i>Community</i>		Specialised Plant and Equipment	5 – 15
Buildings	30	Other Items of Plant and Equipment	5 – 15
Recreational Facilities	20–30	Landfill sites	15
Security	3 –5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 13 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7. INVESTMENTS

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. TRADE RECEIVABLES / DEBTORS

Trade receivables / debtors are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

10. TRADE PAYABLES / CREDITORS

Trade payables / creditors are stated at their nominal value.

11. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

11.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

11. REVENUE RECOGNITION (Continued)

11.1 Revenue from exchange transactions (Continued)

number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

11.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of such items of property, plant and equipment is transferred to the municipality.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

11. REVENUE RECOGNITION (Continued)

11.2 Revenue from non-exchange transactions (Continued)

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand in the Municipality's primary account and bank overdrafts, if applicable.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

15. UNAUTHORISED EXPENDITURE (Continued)

responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

20. EMPLOYEE BENEFITS

20.1 Pension obligations

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds, SALA and GEFP all of which were found to be in sound financial state when the most recent statutory actuarial valuations thereof were carried out. The

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

20. EMPLOYEE BENEFITS (Continued)

20.1 Pension obligations (Continued)

valuations are projected on the unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportionate basis to all participating municipalities.

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

Natal Joint Superannuation & Retirement Funds and GEPF are defined benefit funds. The Natal Joint Provident Fund and SALA are defined contribution funds.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

20.2 Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, will be charged or credited to income over the expected average remaining working lives of the relevant employees. Independent qualified actuaries will be used to value these obligations annually.

21. INTANGIBLES

Rights consist of servitudes. Rights are not depreciated as they have an indefinite useful life.

22. TAXATION

The Emnambithi / Ladysmith Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

EMNAMBITHI / LADYSMITH MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

23. LEASES

23.1 The Municipality is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are recognised in accordance with the actual cash outflows.

23.2 The Municipality is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet.

They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised in accordance with the actual cash inflows.

24. DEFERRED INCOME

When items of property, plant and equipment are financed from government grants, the grants are recognised as deferred income in the Statement of Financial Position, and is recognised as income on a systematic and rational basis over the useful life of the asset.

Prior year government grants for acquisition of property, plant & equipment was reflected under government grant reserve in the Statement of Financial Position and in terms of the exemption granted in Gazette no. 30013 of 29 June 2007, the accounting policy for government grants has changed and has been applied prospectively from the 2006/2007 financial year.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	13,974,883	9,546,693
Unappropriated Surplus/(Deficit)	-33,149,619	-37,577,809
Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment	-	-
Housing selling scheme loans	-1,538,899	-458,017
Housing rental debtors	-	-
Bank and cash	15,513,782	10,004,710
Sub-total	13,974,883	9,546,693
Creditors	-	-
Total Housing Development Fund Assets and Liabilities	13,974,883	9,546,693
2. LONG-TERM LIABILITIES		
Loans	19,621,513	22,485,418
Receiver of Revenue – Housing Debtors	3,232	11,611
	19,624,745	22,497,029
Less : Current portion transferred to current liabilities	-1,417,150	-2,879,520
– Loans	-1,417,150	-2,879,520
Total External Loans	18,207,594	19,617,509
Refer to Appendix A for more detail on long-term liabilities.		
3. DEFERRED INCOME		
Government Grants Received – Property, Plant & Equipment	17,792,559	12,457,853
Less: Depreciation on Property, Plant & Equipment	-1,410,933	-139,737
Total Deferred Income	16,381,626	12,318,115
Government Grants received during the financial year that are used for the acquisition of Property, Plant & Equipment and these assets are depreciated on the straight-line basis over the useful life of the asset		
4. CONSUMER DEPOSITS		
Electricity	6,124,046	5,963,331
Total Consumer Deposits	6,124,046	5,963,331
Interest is not paid on Consumer Deposits		
Guarantees held in lieu of Electricity Deposits	2,689,860	2,708,943

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
5. PROVISIONS		
Provision for reclamation of refuse landfill site	1,370,000	920,000
Provision for post-retirement employee benefits	-	-
	1,370,000	920,000
<i>Refuse Landfill Site</i>		
In terms of the licencing of the landfill refuse site, Council will incur rehabilitation costs to restore the site at the end of its useful life. The Municipality has not reviewed the useful life of the refuse landfill site at this stage and thus the provision made has not been verified. Exemption has been granted in terms of Gazette 30013.		
A provision i.t.o. the Landfill Site has been made retrospectively and once the costs have been verified, taking the useful life also into consideration, the necessary adjustments i.t.o. the provision will be made.		
<i>Post-Retirement Employee Benefits</i>		
Provision for healthcare benefits for employees retiring has not been made at this stage, due to the application of an exemption granted in Gazette 30013.		
6. CREDITORS		
Trade Creditors	4,839,932	4,234,688
Sundry Creditors	22,583,348	18,128,329
Unidentified Deposits in Primary Bank Account	7,182,177	-
Deposits : Other	1,986,974	1,809,789
Payments Received In Advance	200	200
Other Creditors	101,115	102,601
Staff Leave	4,345,197	3,634,054
Payments Received in Advance i.r.o. Service Debtors	4,876,546	4,718,074
Total Creditors	45,915,489	32,627,734
Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.		
7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other Spheres of Government	70,142,029	38,096,065
Municipal Infrastructure Grants (MIG)	10,866,171	1,796,236
Provincial Local Economic Development (LED Projects)	1,986,150	288,346
Housing Projects	50,441,292	28,902,544
Other Grants and Subsidies	6,848,416	7,108,939
Total Conditional Grants and Receipts	70,142,029	38,096,065
8. VAT		
Vat Payable / (Receivable)	-6,489,535	-614,601
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Infrastructure R	Community R	Heritage R	Other R	Land R	Total R
Carrying values at 1 July 2007	101,828,591	22,493,219	604,356	34,824,101	15,811,677	175,561,943
Cost	261,160,041	34,232,291	604,356	85,044,092	15,811,677	396,852,457
Accumulated impairment	-	-	-	-	-	-
Accumulated depreciation	-159,331,451	-11,739,072	-	-50,219,992	-	-221,290,514
Acquisitions	18,892,378	1,633,683	-	6,832,985	-	27,359,046
Capital under Construction	-	-	-	-	-	-
Depreciation	-14,822,606	-1,156,107	-	-4,503,314	-	-20,482,028
Impairment loss-recognised/reversed	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-206,220	-206,220
Cost/revaluation	-	-	-	-	-206,220	-206,220
Accumulated depreciation	-	-	-	-	-	-
Carrying values at 30 June 2008	105,898,362	22,970,795	604,356	37,153,772	15,605,457	182,232,741
Cost	280,052,419	35,865,974	604,356	91,877,078	15,605,457	424,005,283
Accumulated depreciation	-174,154,057	-12,895,179	-	-54,723,306	-	-241,772,542

30 June 2007

Reconciliation of Carrying Value	Infrastructure R	Community R	Heritage R	Other R	Land R	Total R
Carrying values at 1 July 2006	86,606,866	21,651,844	604,356	22,252,309	16,635,277	147,750,652
Cost	232,452,702	32,306,774	604,356	67,627,290	16,635,277	349,626,399
Accumulated impairment	-	-	-	-	-	-
Accumulated depreciation	-145,845,836	-10,654,930	-	-45,374,981	-	-201,875,747
Acquisitions	28,707,340	1,925,517	-	14,119,598	-	44,752,455
Capital under Construction	-	-	-	-	-	-
Depreciation	-13,073,015	-1,084,142	-	-3,348,966	-	-17,506,123
Impairment loss-recognised/reversed	-	-	-	-	-	-
Carrying value of disposals	-412,600	-	-	-729	-823,600	-1,236,929
Cost/revaluation	-	-	-	-1,563	-823,600	-825,163
Accumulated depreciation	-412,600	-	-	834	-	-411,766
Carrying values at 30 June 2007	101,828,591	22,493,219	604,356	33,022,212	15,811,677	173,760,055
Cost	261,160,042	34,232,291	604,356	81,745,325	15,811,677	393,553,691
Accumulated depreciation	-159,331,451	-11,739,072	-	-48,723,113	-	-219,793,636

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2007/2008 financial year due to the exemption granted in Gazette 30013. No impairment losses have been recognised in the 2007/2008 financial year also due to the exemption granted in Gazette 30013.

Included in land above are items that may meet the definition of investment property but have been included as PPE because the municipality has not finalised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135). Exemption has been granted in terms of Gazette 30013.

Included in PPE are items that may meet the definition of inventory, these items are being identified and will be transferred to inventory. Exemption has been granted in terms of Gazette 30013.

Inventory assets of a value less than R 20 000 have been transferred from Inventory to PPE. The opening balances of PPE (Other) for 2007/2008 has been adjusted to include these assets:

Cost	3,298,767
Accumulated Depreciation	-1,496,879
Carrying value	<u>1,801,888</u>

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
10. INVESTMENTS		
Nil	-	-
Total Investments	<u>-</u>	<u>-</u>

11. LONG-TERM RECEIVABLES

State Housing Selling Schemes	654,443	1,166,710
Land Sales	893	25,487
Staff Housing Loans	90,016	86,183
Housing Loan Debtors	-	631
	<u>745,352</u>	<u>1,279,011</u>
Less : Current Portion transferred to current receivables	111,803	191,852
State Housing Selling Schemes	98,166	175,006
Land Sales	134	3,823
Staff Housing Loans	13,502	12,927
Housing Loan Debtors	-	95
Less : Provision for Bad Debt	<u>-633,549</u>	<u>-1,087,159</u>
Total	<u>-</u>	<u>-</u>

12. INVENTORY

Consumable Stores	1,385,511	1,253,374
Total Inventory	<u>1,385,511</u>	<u>1,253,374</u>

Inventory Assets previously disclosed under inventory have been transferred to PPE – Refer Note 9

13. CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2008			
Service debtors	98,779,793	-45,490,812	53,288,980
Rates	60,090,455	-15,022,614	45,067,841
Electricity	25,017,657	-17,342,646	7,675,012
Refuse	13,671,680	-13,125,553	546,127
Housing rentals	1,846,199	-1,846,199	-
Total	<u>100,625,991</u>	<u>-47,337,011</u>	<u>53,288,980</u>

As at 30 June 2007

Service debtors	86,787,211	-36,687,690	50,099,521
Rates	51,536,345	-9,862,705	41,673,640
Electricity	22,640,172	-14,673,923	7,966,249
Refuse	12,610,694	-12,151,062	459,632
Housing rentals	1,811,448	-1,811,448	-
Total	<u>88,598,658</u>	<u>-38,499,137</u>	<u>50,099,521</u>

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>Rates : Ageing</u>		
Current (0 – 30 days)	-92,479	-955,318
31 – 60 Days	1,719,972	1,350,487
61 – 90 Days	1,108,350	936,454
91 – 120 Days	1,022,378	891,196
121+ Days	56,332,234	49,313,525
Total	60,090,455	51,536,345
<u>Electricity : Ageing</u>		
Current (0 – 30 days)	7,673,393	8,431,698
31 – 60 Days	1,603,279	784,806
61 – 90 Days	297,704	301,015
91 – 120 Days	259,921	185,418
121+ Days	15,183,360	12,937,234
Total	25,017,657	22,640,172
<u>Refuse : Ageing</u>		
Current (0 – 30 days)	445,322	749,493
31 – 60 Days	192,662	218,155
61 – 90 Days	137,007	140,180
91 – 120 Days	127,225	137,719
121+ Days	12,769,463	11,365,146
Total	13,671,680	12,610,694

The municipality did not measure revenue at fair value discounting all future receipts using an imputed rate of interest. Exemption has been granted in terms of Gazette 30013.

14. OTHER DEBTORS

Vat Service Debtors	4,889,270	4,709,520
Service Debtors – Conversion Debt	4,939,170	5,240,793
Colenso / Nkanyezi Arrears – Debtors	6,189	11,093
Colenso / Nkanyezi Availability Charges – Debtors	217,476	219,320
Legal Fees – Debtors	1,733,015	1,056,135
Credit Control Costs – Debtors	250,390	239,509
Sundry Debtors	13,703,832	13,147,631
	25,739,342	24,624,001
Less : Provision for Bad Debt	-11,854,731	-9,421,785
Total Other Debtors	13,884,612	15,202,216

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
15. CALL INVESTMENT DEPOSITS		
The Municipality has the following call investment bank accounts :-		
<u>General Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62070527729		
Bank statement balance at end of year	10,607,430	3,760,219
<u>Department of Housing Grants Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62066230617		
Bank statement balance at end of year	53,267,929	32,176,722
<u>MIG Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62130673834		
Bank statement balance at end of year	844,586	1,211,963
<u>Tsakane Electrification Loan Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62123569321		
Bank statement balance at end of year	–	1,456,791
<u>Capital Projects Loan Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62102531888		
Bank statement balance at end of year	1,830,205	2,101,514
<u>Aloe and Berg Tea Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62123569321		
Bank statement balance at end of year	723,749	319,463
<u>Valuations Call Account</u>		
First National Bank – Ladysmith Branch		
Account Number 62159103391		
Bank statement balance at end of year	2,675,958	–
Total Call Deposits	69,949,857	41,026,672

16. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank account :-

Current Account (Primary Bank Account)

First National Bank – Ladysmith Branch

Account Number 52810034604

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

1,015,334	20,396,394
15,932,910	1,015,334
9,208,109	29,972,661
22,468,936	9,208,109

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
17. PROPERTY RATES		
<u>Actual</u>		
Residential	60,694,721	55,927,854
Commercial	21,935,700	20,269,657
State	4,268,738	3,959,677
Total Assessment Rates	86,899,160	80,157,188
	R'000	R'000
<u>Valuations</u>		
Residential	1,534,513	1,417,981
Commercial	795,498	896,519
State	224,703	200,535
Total Property Valuations	2,554,714	2,515,035

Valuation on land and buildings are performed every five years. The last valuation came into effect on 1 July 1997. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

A general rate of R0.1948 (2007: R0.1804) is applied to land valuations and a general rate of R0.0113 (2007: R0.0105) is applied to building valuations to determine assessment rates in the Ladysmith / Ezakheni / Steadville areas.

A general rate of R0.6311 (2007: R0.5844) is applied to land valuations to determine assessment rates in the Colenso area.

Rebates of 25% are granted to residential property owners and 20% to state properties, and a structured rebate is applicable to Ithala owned properties.

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2008 (2007: 30 June 2007). Interest at 18% per annum (2007: 18%) is levied on outstanding rates as well as a 10% (2007: 10%) collection charge two months after final date of payment.

18. SERVICE CHARGES

Sale of electricity	89,603,050	84,990,293
Refuse removal	10,775,233	8,836,801
Total Service Charges	100,378,283	93,827,094

19. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	40,115,476	34,479,577
Provincial LED Projects	2,006,528	151,166
Provincial health subsidies	5,389,850	5,909,460
Municipal Infrastructure Grant (MIG)	72,101	51,435
Dept of Housing	32,657,489	31,909,552
Museum subsidy	–	72,325
Other – Council Assets	2,651,155	454,914
Other – Non Council Assets	401,291	416,682
Total Government Grant and Subsidies	83,293,890	73,445,111

19.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 36 720 and less, receives a credit for their Property Rates and their monthly services account.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
19.2 Provincial LED Projects		
Balance unspent at beginning of year	288,346	-36,007
Correction of Balance Between Grant Types	-47,107	-
Current year receipts	3,751,440	475,519
Conditions met – transferred to Deferred Income (Property, Plant & Equipment)	-	-
Conditions met – transferred to revenue	-2,006,528	-151,166
Conditions still to be met – transferred to liabilities	<u>1,986,150</u>	<u>288,346</u>
Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the provincial Government (included in Council General vote in Appendix D). No funds have been withheld.		
19.3 Provincial Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts – included in Health Services Vote	5,389,850	5,909,460
Conditions met – transferred to revenue	-5,389,850	-5,909,460
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>
The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services and health inspections (included in the Health Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.		
19.4 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	1,796,236	361,471
Correction of Balance Between Grant Types	670,260	-
Current year receipts	10,621,778	11,744,409
Conditions met – transferred to Deferred Income (Property, Plant & Equipment)	-2,150,002	-10,258,209
Conditions met – transferred to revenue (Other)	-72,101	-51,435
Conditions still to be met – transferred to liabilities	<u>10,866,171</u>	<u>1,796,236</u>
This grant was used to construct roads and bridges, sportsfields and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.		
19.5 Department of Housing		
Balance unspent at beginning of year	28,902,544	22,408,866
Correction of Balance Between Grant Types	-322,007	-
Current year receipts	54,518,244	38,403,231
Conditions met – transferred to revenue	-32,657,489	-31,909,552
Conditions still to be met – transferred to liabilities	<u>50,441,292</u>	<u>28,902,544</u>
This grant was used to construct houses as part of the upgrading of informal settlement areas.		
19.6 Museum subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	-	72,325
Conditions met – transferred to revenue	-	-72,325
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>
This grant was used to subsidise expenses incurred solely for the museums.		
19.7 Other Grants – Council Assets		
Balance unspent at beginning of year	6,867,042	4,421,278
Correction of Balance Between Grant Types	-2,221,523	-
Current year receipts	6,230,045	5,100,319
Conditions met – transferred to Deferred Income (Property, Plant & Equipment)	-3,184,704	-2,199,641
Conditions met – transferred to revenue (Other)	-2,651,155	-454,914
Conditions still to be met – transferred to liabilities	<u>5,039,705</u>	<u>6,867,042</u>
These grants include MAP, MSP, MSIG, FMG, GIS, LUMS, DME, IDP infrastructure development, etc.		

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

19.8 Other Grants – Non Council Assets

Balance unspent at beginning of year	241,897	-18,603
Correction of Balance Between Grant Types	1,920,377	-
Current year receipts	47,728	677,182
Conditions met – transferred to revenue	-401,291	-416,682
Conditions still to be met – transferred to liabilities	<u>1,808,711</u>	<u>241,897</u>

These grants cover expenses from the incorporated Municipalities

19.9 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Allowances	55,636,995	51,521,275
Employee related costs – Contributions for UIF, pensions, medical aids and group life	14,349,831	13,032,253
Travel allowances	3,133,996	2,477,973
Housing benefits and allowances	855,896	658,751
Overtime & standby payments	3,956,215	4,220,316
Performance bonus	180,270	65,219
Job Creation	5,355,335	3,748,904
Less : Employee costs to Property, Plant and Equipment and other expenses	-10,013,385	-11,031,482
Total Employee Related Costs	<u>73,455,153</u>	<u>64,693,209</u>

There were no advances or loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	690,017	648,000
Performance Bonus	56,520	40,311
Total	<u>746,537</u>	<u>688,311</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	481,976	458,091
Overtime & Standby	-	-
Performance Bonus	33,000	-
Housing Benefits and Allowances	-	-
Travel Allowance	90,474	90,474
Telephone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	1,479	1,435
Contributions to Group Life	-	-
Total	<u>606,929</u>	<u>550,000</u>

Remuneration of Individual Executive Managers / Managers (HOD's)
30 June 2008

	Economic Development (EM)	Governance & Transformation (EM)	Electrical Services (EM)
Annual Remuneration	417,234	509,503	440,662
Overtime & Standby	-	-	-
Performance/Annual Bonuses	45,375	28,875	16,500
Housing Benefits and Allowances	-	-	-
Travel Allowance	164,057	59,999	119,999
Telephone Allowance	-	-	-
Contributions to UIF, Medical and Pension Funds	1,479	1,479	1,479
Contributions to Group Life	-	-	-
Total	<u>628,144</u>	<u>599,856</u>	<u>578,640</u>

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
30 June 2008		
	Corporate Services (M)	Engineering Services (M)
Annual Remuneration	246,572	246,572
Overtime & Standby	49,018	49,733
Performance Bonuses/Annual Bonuses	20,548	20,548
Housing Benefits and Allowances	7,221	7,221
Travel Allowance	122,470	121,811
Telephone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	83,776	63,123
Contributions to Group Life	4,290	-
Total	533,895	509,008

30 June 2007		
	Economic Development	Governance & Transformation
Annual Remuneration	384,508	488,565
Overtime & Standby	-	-
Performance Bonuses/Annual Bonuses	-	-
Housing Benefits and Allowances	-	-
Travel Allowance	164,057	60,000
Telephone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	1,435	1,435
Contributions to Group Life	-	-
Total	550,000	550,000

30 June 2007		
	Corporate Services	Engineering Services
Annual Remuneration	231,675	231,675
Overtime & Standby	50,729	50,729
Performance Bonuses/Annual Bonuses	19,306	19,306
Housing Benefits and Allowances	6,648	6,648
Travel Allowance	103,548	100,228
Telephone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	77,479	57,039
Contributions to Group Life	4,031	-
Total	493,417	465,626

21. REMUNERATION OF COUNCILLORS

Mayor	499,603	448,097
Deputy Mayor	402,562	339,650
Speaker	402,562	316,763
EXCO Committee Members	1,673,064	1,313,718
Councillors	6,027,372	5,773,526
Councillors' pension contribution	-	-
Total Councillors' Remuneration	9,005,163	8,191,754

In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
22. INTEREST PAID		
Long-term liabilities	2,035,184	2,511,495
Creditors	21,760	3,220
Bank overdrafts	-	-
Total Interest Paid	2,056,944	2,514,716
23. BULK PURCHASES		
Electricity	51,565,958	50,540,919
Total Bulk Purchases	51,565,958	50,540,919
24. GRANTS AND SUBSIDIES PAID		
Grants paid to students	103,508	26,500
Grants paid to other	-	1,096
Rates Rebates	28,946,346	28,793,460
Total Grants and Subsidies Paid	29,049,854	28,821,055
25. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	4,540,537	6,570,468
Adjustment for:-		
Non-Operating Income	765,866	6,903,846
Non-Operating Expenditure	-3,961,488	-4,337,701
Adjustments in Respect of Previous Years & Appropriations	-12,201,865	-3,297,618
Depreciation	20,482,028	17,506,123
Contribution to staff leave accrual	2,419,397	2,120,651
Contribution to bad debt provision	23,882,060	14,531,393
Investment income	-5,631,118	-3,831,216
Interest paid	2,056,944	2,514,716
Operating surplus before working capital changes:	32,352,361	38,680,662
(Increase)/decrease in inventories	-132,137	-220,346
(Increase)/decrease in debtors	-3,189,460	-1,746,888
(Increase)/decrease in other debtors	1,317,605	-4,865,693
(Decrease)/increase in conditional grants and receipts	32,045,963	10,959,060
(Decrease)/increase in creditors	13,287,755	-1,072,576
(Decrease)/increase in provisions	450,000	-
(Decrease)/increase in VAT	-5,874,934	-134,729
Cash generated by operations	70,257,154	41,599,490
26. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balance	15,932,910	1,015,334
Total cash and cash equivalents	15,932,910	1,015,334
27. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>27.1 Contributions to organised local government</u>		
Opening balance		-
Council subscriptions	280,094	333,723
Amount paid – current year	-280,094	-333,723
Amount paid – previous years		-
Balance unpaid (included in creditors)	-	-

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>27.2 Audit Fees</u>		
Opening balance	-	-
Current year audit fee	774,789	708,697
Amount paid – current year	-774,789	-708,697
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>27.3 VAT</u>		
All VAT returns have been submitted by the due date throughout the year.		
<u>27.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	10,863,331	11,888,746
Amount paid – current year	-10,863,331	-11,888,746
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>27.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	20,636,100	18,727,140
Amount paid – current year	-20,636,100	-18,727,140
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
28. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
– Approved but not yet contracted for		
<i>Infrastructure</i>	53,039,958	13,804,039
<i>Community</i>	651,110	3,191,713
<i>Heritage</i>	-	-
<i>Other</i>	7,958,289	3,913,156
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
Total	61,649,358	20,908,908
This expenditure will be financed from:		
– External Loans	27,413,358	6,725,908
– Capital Replacement Reserve	-	-
– Government Grants	34,236,000	14,183,000
– Own Resources	-	-
	61,649,358	20,908,908

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

29. RETIREMENT BENEFIT INFORMATION

Natal Joint Municipal Pension Fund (Superannuation)

The latest statutory valuation of the Superannuation Fund at 31 March 2005 revealed a fund deficit with a recommendation that the surcharge be increased from 3% to 6% which would contribute to meeting the deficit. A interim valuation carried out at 31 March 2006 concluded that should the surcharge of 6% be retained for the year to 30 June 2007 and thereafter at 4.5% until 30 June 2008, the deficit should be eliminated within two years.

Natal Joint Municipal Pension Fund (Retirement)

The latest statutory valuation of the Retirement Fund as at 31 March 2006 reflected a fund deficit of R204.3 million. The total contribution rate payable, including the total surcharge of 14% will eliminate the deficit by the year 2010.

Natal Joint Municipal Provident Fund

The latest statutory valuation of the Provident Fund at 31 March 2006 revealed that the Fund as at 31 March 2006 was in a sound financial position.

30. IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance:

- Non-Monetary Donations from various suppliers for the Upgrade of the Rates Hall – Finance Dept
Approximate Value

26,256

31. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

The following Councillor's had arrear rates / services accounts 90 days+ outstanding during the financial year :-

Councillor S H Thusi
Councillor B R Madonsela

32. RELATED PARTIES

The Municipality has no related parties.

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS				Balance at 30 June 2007	Received	Redeemed or Written Off	Balance at 30 June 2008
				R	R	R	R
LONG-TERM LOANS	Interest Rate	Loan Ref.	Redeemable				
F.N.B.	17.88%	F2	June 2008	1,272,309	-	1,272,309	-
Umsekeli	9.00-12.00%	U1	Sept 2007	312,500	-	312,500	-
Absa Bank – Tsakane Electrification	9.10%	A1	Feb 2026	6,201,635	-	133,089	6,068,547
F.N.B. – Capital Expenditure	9.10%	F3	Feb 2016	14,698,973	-	1,146,007	13,552,966
Total Long-Term Loans				22,485,418	-	2,863,905	19,621,513
GOVERNMENT LOANS							
Receiver of Revenue – Housing Vat Debtors				11,611	-	8,380	3,232
Total Government Loans				11,611	-	8,380	3,232
TOTAL EXTERNAL LOANS				22,497,029	-	2,872,284	19,624,745

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost / Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Infrastructure											
Electricity	61,837,043	5,199,873	-	-	67,036,917	29,320,016	2,639,638	-	31,959,654	35,077,262	4,172,502
Roads	193,869,973	13,692,504	-	-	207,562,478	125,440,374	11,994,062	-	137,434,436	70,128,041	10,571,965
Gas	14,098	-	-	-	14,098	14,098	-	-	14,098	-	-
Sewerage	155,854	-	-	-	155,854	147,846	1,004	-	148,850	7,004	-
Pedestrian Malls	1,263,501	-	-	-	1,263,501	932,129	57,745	-	989,874	273,627	-
Airports	656,342	-	-	-	656,342	598,529	31,515	-	630,044	26,298	-
Security Measures	2,675,296	-	-	-	2,675,296	2,330,345	86,161	-	2,416,507	258,789	-
Water	377,798	-	-	-	377,798	377,798	-	-	377,798	-	-
Other	310,136	-	-	-	310,136	170,315	12,481	-	182,796	127,340	-
	261,160,041	18,892,378	-	-	280,052,419	159,331,451	14,822,606	-	174,154,057	105,898,362	14,744,467
Community Assets											
Land & Buildings	30,295,601	1,618,880	-	-	31,914,482	9,786,958	982,168	-	10,769,127	21,145,355	2,251,284
Recreation Facilities	3,936,689	14,803	-	-	3,951,492	1,952,113	173,939	-	2,126,052	1,825,440	-
	34,232,291	1,633,683	-	-	35,865,974	11,739,072	1,156,107	-	12,895,179	22,970,795	2,251,284
Heritage Assets											
Buildings	604,356	-	-	-	604,356	-	-	-	-	604,356	-
	604,356	-	-	-	604,356	-	-	-	-	604,356	-
Other Assets											
Land & Buildings	23,248,981	406,187	-	-	23,655,168	11,876,808	665,452	-	12,542,260	11,112,908	784,482
Office Equipment	10,410,273	244,659	-	-	10,654,932	9,454,791	346,631	-	9,801,422	853,510	-
Furniture & Fittings	1,730,301	-	-	-	1,730,301	1,512,063	82,857	-	1,594,919	135,382	-
Bins & Containers	1,267,805	-	-	-	1,267,805	404,595	110,961	-	515,556	752,250	-
Emergency Equipment	320,341	1,884,118	-	-	2,204,459	261,347	11,943	-	273,290	1,931,169	-
Motor Vehicles	14,624,015	2,362,449	-	-	16,986,464	6,199,960	1,439,683	-	7,639,643	9,346,822	-
Plant & Equipment	24,061,577	1,520,899	-	-	25,582,476	13,858,281	1,376,786	-	15,235,068	10,347,408	2,819,514
Other	9,380,799	414,674	-	-	9,795,473	6,652,147	469,001	-	7,121,149	2,674,324	309,161
	85,044,092	6,832,985	-	-	91,877,078	50,219,992	4,503,314	-	54,723,306	37,153,772	3,913,157
Land Assets											
Vacant Land	15,811,677	-	-	206,220	15,605,457	-	-	-	-	15,605,457	-
	15,811,677	-	-	206,220	15,605,457	-	-	-	-	15,605,457	-
Total	396,852,457	27,359,046	-	206,220	424,005,283	221,290,514	20,482,028	-	241,772,542	182,232,741	20,908,908

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Municipal Manager	112,599	-	-	-	112,599	112,599	-	-	112,599	-
Finance Management and Leadership	9,214,479	-	-	-	9,214,479	8,945,845	111,232	-	9,057,077	157,403
Mayoral	878	-	-	-	878	556	29	-	586	292
Community Services	24,513,038	547,336	-	-	25,060,373	9,555,379	710,897	-	10,266,276	14,794,098
Admin and Valuation	3,263,690	68,478	-	-	3,332,169	2,227,534	349,819	-	2,577,353	754,816
Council General	24,249,677	640,865	-	150,800	24,739,742	7,191,479	709,042	-	7,900,521	16,839,221
Corporate Services	218,161	49,331	-	-	267,492	56,335	43,567	-	99,902	167,590
BE Housing / Building Control	21,704,164	15,787,828	-	-	37,491,992	10,443,363	1,462,697	-	11,906,059	25,585,932
Public Works	197,118,988	30,873	-	-	197,149,861	126,402,467	12,020,802	-	138,423,269	58,726,592
Development & Planning	684,211	138,330	-	-	822,541	99,190	62,832	-	162,022	660,519
Admin and Environmental Health	4,408,639	466,339	-	-	4,874,978	1,288,757	460,862	-	1,749,618	3,125,360
Clinics	1,531,519	-	-	-	1,531,519	820,127	49,961	-	870,087	661,431
Parks & Gardens	8,255,901	-	-	-	8,255,901	3,334,461	231,066	-	3,565,526	4,690,375
Protection Services & Traffic	7,116,588	132,076	-	-	7,248,665	4,833,383	424,858	-	5,258,241	1,990,424
Fire Brigade	4,857,732	1,884,118	-	-	6,741,850	2,133,825	158,462	-	2,292,287	4,449,563
Environmental Hygiene	5,501,537	2,398,887	-	-	7,900,425	2,175,522	378,567	-	2,554,089	5,346,336
Real Estate and Housing	16,398,565	-	-	55,420	16,343,145	9,024,802	511,691	-	9,536,492	6,806,653
Electricity Service	67,702,089	5,214,585	-	-	72,916,674	32,644,891	2,795,646	-	35,440,537	37,476,136
TOTAL	396,852,457	27,359,046	-	206,220	424,005,283	221,290,514	20,482,028	-	241,772,542	182,232,741

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus / (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus / (Deficit) R
-	351,987	-351,987	Municipal Manager	-	980,214	-980,214
445,651	8,194,128	-7,748,477	Admin and Valuation	489,351	9,560,783	-9,071,431
155,537,499	121,057,202	34,480,297	Council General	169,316,063	130,673,990	38,642,072
463,760	19,164	444,596	Corporate Services	268,968	-443,308	712,275
2,103,030	4,519,837	-2,416,807	TT Management & Leadership	2,026,365	3,899,885	-1,873,520
342,390	21,025,410	-20,683,020	Public Works	286,014	24,657,898	-24,371,885
-112,923	4,589,384	-4,702,307	Development & Planning	32,032	6,214,048	-6,182,016
6,623,010	17,903,196	-11,280,186	Admin And Environmental Health	5,971,700	20,575,591	-14,603,890
7,356,263	15,220,664	-7,864,401	Protection Services & Traffic	7,729,527	17,514,993	-9,785,466
-	851,015	-851,015	Mechanical Workshop	-	704,884	-704,884
232,841	3,498,720	-3,265,879	Real Estate and Housing	257,040	3,449,813	-3,192,773
13,808,801	16,166,403	-2,357,602	Environmental Hygiene	19,496,045	24,199,178	-4,703,133
89,197,351	78,509,955	10,687,396	Electricity Service	95,955,546	83,577,650	12,377,896
275,997,673	291,907,065	-15,909,392	Sub Total	301,828,652	325,565,621	-23,736,969
-	-22,479,860	22,479,860	Less : Inter-Departmental Charges	-	-28,277,506	28,277,506
275,997,673	269,427,205	6,570,468	Total	301,828,652	297,288,115	4,540,537

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008 Actual R</u>	<u>2008 Budget R</u>	<u>2008 Variance R</u>	<u>2008 Variance %</u>	<u>Explanation of Significant Variances greater than 10% versus Budget</u>
REVENUE					
Property rates	86,899,160	86,841,000	58,160	-0.07	
Property rates – penalties and collection charges	7,215,312	6,688,399	526,913	-7.88	
Service charges	100,378,283	103,732,390	-3,354,107	3.23	
Interest earned – external investments	2,633,574	148,860	2,484,714	-1669.16	Surplus Funds were invested on a short-term basis. This revenue cannot be determined, thus the budget amount is a modest amount.
Interest earned – outstanding debtors	2,997,543	2,613,279	384,264	-14.70	Increase in the interest rate determines the income derived from this revenue source. This is an unpredictable event.
Fines	3,313,145	3,815,920	-502,775	13.18	Fines are deposited into the Municipality's bank account, and remain unidentified. These fines are not accounted for until such time that the funds have been properly
Licences and permits	4,058,943	3,081,122	977,821	-31.74	An increase in demand for drivers licences has added to the additional revenue. The relevant department had to work extra hours to accommodate the demand.
Government grants and subsidies	83,293,890	46,060,911	37,232,979	-80.83	Housing Grants are received on an ad-hoc basis with large tranche payments being received, which do not form part of our revenue as it is used only for low-cost
Other income	11,038,801	6,112,326	4,926,475	-80.60	Vehicle charge-outs accounts for a large portion of additional revenue generated, i.t.o. a surplus from the vehicle subsidiary ledger, that is not budgeted for.
Public contributions, donated and contributed PPE	-	-	-	0.00	
Gains on Disposal of property, Plant and Equipment	-	8,321,333	-8,321,333	0.00	
Total Revenue	301,828,652	267,415,540	34,413,112	-12.87	
EXPENDITURE					
Employee related costs	73,455,153	66,604,950	6,850,203	-10.28	Departments have not charged-out sufficient labour charges to projects and repairs and maintenance.
Remuneration of Councillors	9,005,163	10,652,576	-1,647,413	15.46	Included in the budget amount are the salaries for support staff to the Mayor's Office. The Actual salaries is reflected under Employee related costs.
Bad debts	24,877,717	23,907,719	969,998	-4.06	
Depreciation	20,482,028	12,529,966	7,952,062	-63.46	Depreciation for Grant Funded Assets is tranferred through Deferred Income and Government Grant Reserve.
Repairs and maintenance	5,858,168	22,191,141	-16,332,973	73.60	A large portion of repairs and maintenance is used for refurbishing of assets. These amounts have been capitalised, and thus the large variance to budget.
Interest paid	2,056,944	2,287,725	-230,781	10.09	Additional loans were budgeted for, which have not yet been taken up.
Bulk purchases	51,565,958	52,333,916	-767,958	1.47	
Grants and subsidies paid	29,049,854	29,131,799	-81,945	0.28	
Grant Expenses	37,788,564	-	37,788,564	N/A	
General expenses	43,148,566	47,775,118	-4,626,552	9.68	
Total Expenditure	297,288,115	267,414,910	29,873,205	-11.17	
NET SURPLUS/(DEFICIT) FOR THE YEAR	4,540,537	630	4,539,907	-1.70	

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008 Actual</u>	<u>2008 Under Construction</u>	<u>2008 Total Additions</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>2008 Variance</u>	<u>Explanation of Significant Variances greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Infrastructure							
Electricity	5,199,873	-	5,199,873	4,172,502	1,027,371	25	Refurbishment of Assets was also done using Repairs & Maintenance Budgets.
Roads	13,692,504	-	13,692,504	10,571,965	3,120,539	30	
Gas	-	-	-	-	-	0	
Sewerage	-	-	-	-	-	0	
Pedestrian Malls	-	-	-	-	-	0	
Airports	-	-	-	-	-	0	
Security Measures	-	-	-	-	-	0	
Water	-	-	-	-	-	0	
Other	-	-	-	-	-	0	
	18,892,378	-	18,892,378	14,744,467	4,147,911	28	
Community Assets							
Land & Buildings	1,618,880	-	1,618,880	2,251,284	-632,404	-28	These surplus funds have been carried over to 2008/2009.
Recreation Facilities	14,803	-	14,803	-	14,803	0	
	1,633,683	-	1,633,683	2,251,284	-617,601	-27	
Heritage Assets							
Buildings	-	-	-	-	-	0	
	-	-	-	-	-	0	
Other Assets							
Land & Buildings	406,187	-	406,187	784,482	-378,295	-48	These surplus funds have been carried over to 2008/2009.
Office Equipment	244,659	-	244,659	-	244,659	0	
Furniture & Fittings	-	-	-	-	-	0	
Bins & Containers	-	-	-	-	-	0	
Emergency Equipment	1,884,118	-	1,884,118	-	1,884,118	0	
Motor Vehicles	2,362,449	-	2,027,877	-	2,027,877	0	
Plant & Equipment	1,520,899	-	1,520,899	2,819,514	-1,298,615	-46	These surplus funds have been carried over to 2008/2009.
Other	414,673	-	-	309,161	-309,161	-100	These surplus funds have been carried over to 2008/2009.
	6,832,985	-	6,083,740	3,913,157	2,170,583	55	
Land Assets							
Vacant Land	-	-	-	-	-	0	
	-	-	-	-	-	0	
Total	27,359,046	-	26,609,801	20,908,908	5,700,893	27	

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sept	Dec	March	June	Sept	Dec	March	June	
Equitable Share	National Government	10,946,683	10,946,683	10,947,159	-	10,946,683	10,946,683	10,947,159	-	Yes
Equitable Share – Ezakheni Salaries	National Government	1,829,650	1,829,650	1,829,650	-	1,829,650	1,829,650	1,829,650	-	Yes
Central Government Councillor Allowances	National Government	595,333	595,333	595,333	-	595,333	595,333	595,333	-	Yes
Museum Subsidy	Provincial Government	-	-	-	-	-	-	-	-	Yes
Nurses Salaries	Provincial Government	1,214,707	1,316,483	-	-	1,214,707	1,316,483	1,429,330	1,429,330	Yes
Dept of Housing – Umbulwane 1	Dept of Housing	-	-	-	3,077,774	-	-	-	-	Yes
Dept of Housing : Diamana Flats	Dept of Housing	-	-	-	-	-	1,605	-	-	Yes
Dept of Housing : Ezakheni	Dept of Housing	-	-	8,284,866	-	-	-	-	-	Yes
Dept of Housing : Ezakheni C Section	Dept of Housing	-	-	-	1,650,274	-	807,465	-	954,690	Yes
Dept of Housing : Nkanyenzi Hostel	Dept of Housing	-	-	203,939	-	-	-	-	863,511	Yes
Dept of Housing : Ntombis Camp	Dept of Housing	-	116,994	43,215	-	-	57,612	-	10,441	Yes
Dept of Housing : Roosboom	Dept of Housing	-	-	244,264	-	-	-	120,052	240,104	Yes
Dept of Housing : St Chads Rural Housing Development	Dept of Housing	-	10,445,704	-	-	-	6,234,074	811,115	-	Yes
Dept of Housing : St Chads Urban Housing Development	Dept of Housing	-	23,162,994	-	5,893,350	1,481,007	4,832,403	5,148,865	11,093,445	Yes
Dept of Housing : Steadville Area E	Dept of Housing	-	-	1,394,870	-	-	-	-	-	Yes
Heritage Day Sponsorship	Donors	14,000	1,000	-	-	-	-	-	-32,662	Yes
Mayoral African Renaissance	Donors	-	-	-	-	33,600	-	-	-	Yes
Mayors Donations	Donors	-	-	-	-	-	3,160	-	-	Yes
Flanders Pilot Project Housing	Flanders Govt	-	-	-	-	-	-	-	1,100	Yes
Aloe & Berg Tea Project	Gijima – European Union	588,701	5,093	513,241	17,846	253,367	227,695	150,567	298,656	Yes
Department of Sports & Recreation	National Government	-	-	825,000	275,000	-	-	500,888	539,784	Yes
Budget Reform Grant EC34/5/2003	National Government	500,000	-	-	-	137,850	81,592	63,126	745,105	Yes
D M E Allocation	National Government	-	-	2,100,000	-	437,505	520,528	479,148	585,644	Yes
D M E MV Backbone – Tsakane	National Government	-	-	-	1,370,000	-	-	-	-	Yes
M I G – 10 Hi mast lights – Ezakheni, Roosboom, Colenso, Steadville	National Government	-	-	-	-	8,470	-	792	6,765	Yes
M I G – Income	National Government	2,069,915	1,800,000	-	6,500,000	-	-	-	-	Yes
M I G – Low Water Crossing	National Government	-	-	-	-	-	-	-	131,921	Yes
M I G – Pedestrian bridge Matondwane to Watersmeet	National Government	-	-	-	-	157,266	-	-	226,737	Yes
M I G – Pedestrian bridge Ndomba Cem to Umbulwane	National Government	-	-	-	-	-	75	-	1,158,533	Yes
M I G – Pedestrian bridge Watershed to Driefonteir	National Government	-	-	-	-	66,634	-	-	226,737	Yes
M I G – Project Management Unit	National Government	-	-	-4,910	-	15,634	14,845	13,510	23,203	Yes
M I G – Upgrade Sportsfields	National Government	-	-	-	-	5,108	-	-	9,695	Yes
M I G – Urban Roads	National Government	-	-	-	-	6,704	11,116	-	123,199	Yes
M I G – Pedestrian bridge Mbabantu River	National Government	7,456	-	-	-	-	-	10,251	-	Yes
M I G – Pedestrian bridge Steadville to Ndomba	National Government	-	-	-	-	-	-	-	-251,863	Yes
Area J Steadville Electrification	Provincial Government	-	-	-	-	28,068	-	-	-	Yes
Capacity Building Fund – Town Planner	Provincial Government	-	-	-	-	194	-	-	-	Yes
Cleanest Town Competition	Provincial Government	-	-	-	-	-	7,363	69,132	9,987	Yes
Community Development Workers	Provincial Government	-	-	850,000	-2,442	-	348	-	699,681	Yes
Development Admin / Capacity Building	Provincial Government	-	-	-	-	-	3,724	142,392	-	Yes
G I S – Town Planning Grant	Provincial Government	-	-	-	-	13,636	-	-	125,643	Yes
I D P Support	Provincial Government	-	-	100,000	-	-	-	-	4,233	Yes
I D P Support – Consultant	Provincial Government	-	-	-	-	74,214	-	-	-	Yes
Integration with REDS	Provincial Government	-	-	-	-	-	-	3,322	-	Yes
L E D – Cleaning Up Campaign	Provincial Government	-	-	-	-	926	-	517	-	Yes
L E D – Emerging Farmers Awards	Provincial Government	-	3,000	-	-	-	-	9,871	2,690	Yes
L E D – Bambanani Farmers Association	Provincial Government	-	-	126,000	-	-	-	-	1,236	Yes
L E D – Pecan Nut Oil Project	Provincial Government	-	-	1,000,000	-	-	-	-	-	Yes
Thusong Centre Project	Provincial Government	-	-	500,000	-	-	-	-	76,622	Yes
Multipurpose Centre : Abantungwakholwa	Provincial Government	-	-	-	-	-	37,128	-	-7,346	Yes
Municipal Performance Management	Provincial Government	-	-	-	-274	12,198	-	-	-	Yes
Municipal Systems Improvement Grant (Property Rates Act)	Provincial Government	367,000	367,000	-	-	-	-	21,882	-21,882	Yes
Ntombis Camp Electrification	Provincial Government	-	-	-	730,000	-	-	-	29,996	Yes
Review of IDP (Uthukela DM)	Provincial Government	-	-	-	-	-	-	721	26,060	Yes
Spatial Planning (LUMS)	Provincial Government	-	-	-	-	-	-	-	44,614	Yes
Survey Costs Shayamoya Phase 3	Provincial Government	-	-	-	-	-	-	14,415	-	Yes
Upgrade Stormwater Steadville Area D	Provincial Government	-	-	-	-	424	2,940	-	-	Yes
Umsobomvu Youth Fund	Provincial Government	150,000	-	-	-	203,220	50,896	28,415	1,822	Yes
Asset Management Grant	DPLGTA	-	-	1,500,000	-	-	-	-	-	Yes
System Strengthening Electricity	Public	27,805	2,142	101,620	64,478	-	-	-	-	Yes
Job Evaluation – External Funding	Various Municipalities	-	-	-	-	-	-	2,537	513	Yes
		18,311,250	50,592,076	31,154,248	19,576,006	17,522,397	27,582,718	22,392,989	19,377,943	
					119,633,581				86,876,047	

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNEXURE A
ADDITIONAL DISCLOSURES IN THE ANNUAL FINANCIAL STATEMENTS

Preparation of Annual Financial Statements based on Exemption Gazette 30013 dated 29 June 2007 where applicable

Financial Reporting Standard	Extent of Exemption from Standard	Progress made by the Municipality with complying with exemptions	Adjustments to the Annual Financial Statements for full compliance with the exemptions
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements (paragraphs 59 - 61, and 77)	This process is currently being carried out by Consultants (Africon & KPMG) that have been appointed to do a thorough audit of the Municipality's assets in order to comply with the standard. The process is expected to be completed by April 2009.	The values of assets will be restated and all assets accounted for, applying reviewed depreciation methods.
	Review of depreciation method applied to PPE recognised in the annual financial statements (paragraphs 62 and 77)	The depreciation method is yet to be decided on, as the outcome from the asset verification audit will determine the best practice i.t.o. which method to apply.	As above
	Impairment of non-cash-generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi))	The asset audit will be identifying impairment of assets, and impairments will be recognised once the entire process is complete and the asset register re-compiled. This is expected to be completed by April 2009.	As above
	Impairment of cash-generating assets (paragraphs 63 and 75(e)(v) - (vii))	As above	As above
Impairment of Assets (IAS 36/AC 128)	Entire Standard	As above	As above
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	The asset audit will be identifying immovable capital assets inventory and they will be recognised in the asset register. This is expected to be completed by April 2009.	As above
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Investment property is currently being identified and verified for its intended use. The properties have been valued as per the MPRA and these values will be applied in the asset register in 2008/2009.	As above
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard (paragraphs 79(e)(i) - (iii))	As above	As above
Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (SAICA circular 12/06, Paragraphs 8 - 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105)	The Municipality currently does not have assets purchased under finance leases.	To recognise operating lease payments / receipts on a straight line basis over the lease term. All assets purchased under finance leases (all risks and rewards of ownership are passed on to the lessee at the end of the lease term) must be capitalised.
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48 - 119, 120A© - (q))	Post-retirement benefits in terms of healthcare have been limited to employees 50 years and older as at 1 January 2005 and having completed a minimum service period. At this stage there are approximately 30 employees that qualify for this benefit. An actuarial valuation will be done in 2008/2009.	A provision for post-retirement benefit will have to be made in the annual financial statements.
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)	A program has been developed by our financial system service providers. This is in the test phase and should be completed early in 2009.	Adjustment in terms of provision for doubtful debt.
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG64 and AG 65 of IAS 39/AC 133)	The financial system is in the process of being altered to accommodate the calculation of financial instruments at fair value where possible.	The only financial instruments applicable to the municipality would be debtors, creditors, investments and loans payable. All financial instruments must be recognised at fair value.
Financial Instruments: Disclosures (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG64 and AG 65 of IAS 39/AC 133)	An analysis of all financial assets and financial liabilities is currently being undertaken.	Adjustments in terms of assets and liabilities where applicable.
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. (paragraphs 6 - 14, 15 - 29 (in so far as it relates to non-current assets held for sale), 38 - 42)	These assets are currently being identified and verified within the asset management.	Re-stating of asset values in the Annual Financial Statements
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 - 46 of GAMAP 9	The necessary reserves have been created in the ledger and the asset register once complete will accommodate the funding of all assets and disclosures.	Accounting for Government Grants i.t.o. IAS 20/AC 134, creating of relevant reserves in the Financial Statements